

CASE NAME: Galveston Bay Energy, LLC
CASE NUMBER: 16-31923-H1-7
PETITION DATE: 4/13/2016 Converted 5/11/2016

UNITED STATES BANKRUPTCY COURT
Southern DISTRICT OF TEXAS
Houston DIVISION

MONTHLY REPORT SUMMARY

CHAPTER 7 REPORT

AUGUST, 2016

MONTH/ PERIOD ENDING	May 12-31, 2016	June 30, 2016	July 31, 2016	August 31, 2016	September 30, 2016	Conversion to Date
REVENUES (MOR-6)	-	-	68,555.35	158,087.44	-	226,592.79
INCOME BEFORE INT, DEPREC./TAX (MOR-6)	(153,907.00)	(358,413.67)	(305,681.00)	(166,845.07)	-	(984,846.74)
NET INCOME (LOSS) (MOR-6)	(159,529.66)	(365,540.14)	(445,814.58)	(254,568.17)	-	(1,225,452.55)
PAYMENTS TO INSIDERS (MOR-9)	15,384.62	15,384.62	23,076.93	15,384.62	-	69,230.79
PAYMENTS TO PROFESSIONALS (MOR-9)	-	-	-	-	-	-
TOTAL DISBURSEMENTS (MOR-8)	(23,176.28)	(28.20)	(6,718,379.66)	(53,838.23)	-	(6,795,422.37)

REQUIRED INSURANCE MAINTAINED

AS OF SIGNATURE DATE

EXP.

DATE

CASUALTY	YES (X) NO ()	2 -	16 -	2017
LIABILITY	YES (X) NO ()	2 -	16 -	2017
VEHICLE	YES (X) NO ()	2 -	16 -	2017
WORKER'S	YES (X) NO ()	2 -	16 -	2017
OTHER	YES () NO ()	-	-	-

Are all accounts receivable being collected within terms?

No

Are all post-conversion liabilities, including taxes, being paid within terms?

No

Have any pre-petition liabilities been paid?

No

If so, describe

Are all funds received being deposited into Trustee's bank account?

Yes

Were any assets disposed of outside the normal course of business?

No

If so, describe

N/A

Are all U. S. Trustee Quarterly Fee Payments current?

Yes

What is the status of your Plan of Reorganization?

Converted to Chapter 7 on 5/11/16

ATTORNEY NAME:

Julie Mitchell Koenig

FIRM:

Cooper & Scully, PC

ADDRESS:

815 Walker, Suite 1040

CITY, STATE, ZIP:

Houston, Texas 77002

TELEPHONE:

713/236-6800

MOR-1

I certify under penalty of perjury that the following complete Monthly Operating Report (MOR), consisting of MOR-1 through MOR-9 plus attachments, is true and correct based on information available to me.

SIGNED:

TITLE:

BANKRUPTCY TRUSTEE

CASE NAME: Galveston Bay Energy, LLC
CASE NUMBER: 16-31923-H1-7

COMPARATIVE BALANCE SHEETS

ASSETS	Petition Date 4/13/2016	May 12-31, 2016	June 30, 2016	July 31, 2016	August 31, 2016	September 30, 2016
See Notes						
CURRENT ASSETS	See Note A					
Cash	6,756,086.51	6,772,149.67	6,772,200.28	53,858.18	19.95	-
Trade Accounts Receivable, Net	717,377.52	650,414.92	652,588.21	654,162.06	656,483.82	-
Other Receivables, Net	-	-	-	-	-	-
Prepaid Expenses	-	28,794.45	28,303.70	27,812.95	-	-
Accrued Interest Income	-	27,541.60	30,295.76	33,049.92	33,049.92	-
Deposits and Other Assets	-	1,000.00	1,000.00	1,000.00	1,000.00	-
Purchaser Clearing	-	(107,445.93)	(107,445.93)	(36,638.53)	83,057.50	-
TOTAL CURRENT ASSETS	7,473,464.03	7,372,454.71	7,376,942.02	733,244.58	773,611.19	-
PROPERTY, PLANT & EQUIPMENT						
Capitalized Fees net of Amortization	-	147,770.94	136,770.54	125,770.14	123,044.74	-
Net Unrecovered Capitalized Exploration	-	12,599,071.26	12,611,904.85	12,585,676.53	12,540,357.80	-
Fixed Assets net of Accum Depreciation	167,043.81	54,162.96	54,162.96	54,162.96	48,655.20	-
NET BOOK VALUE OF PP&E	167,043.81	12,801,005.16	12,802,838.35	12,765,609.63	12,712,057.74	-
OTHER ASSETS:						
TOTAL OTHER ASSETS	-	-	-	-	-	-
TOTAL ASSETS	7,640,507.84	20,173,459.87	20,179,780.37	13,498,854.21	13,485,668.93	-

MOR-2 PLEASE SEE FOOTNOTES AFTER MOR-9 FOR IMPORTANT INFORMATION CONCERNING ITEMS WITH NOTE REFERENCES.

CASE NAME: Galveston Bay Energy, LLC
CASE NUMBER: 16-31923-H1-7

COMPARATIVE BALANCE SHEETS

LIABILITIES	Petition Date 4/13/2016	May 12-31, 2016	June 30, 2016	July 31, 2016	August 31, 2016	September 30, 2016
See Notes						
POST-PETITION LIABILITIES	See Note A					
Pre-Conversion Liabilities	-	58,302.28	58,261.98	58,216.22	52,574.98	-
Post-Conversion Liabilities	-	82,177.51	101,677.46	152,811.82	226,086.75	-
Payable to Hydrocarb Energy Corporation	-	32,754.95	311,800.82	553,365.81	671,464.95	-
TOTAL POST-PETITION LIABILITIES	-	173,234.74	471,740.26	764,393.85	950,126.68	-
PRE-PETITION LIABILITIES						
Notes Payable - Secured	5,970,280.43	5,970,280.43	5,970,280.43	-	-	-
Priority Debt	-	-	-	-	-	-
Unsecured Debt	3,949,414.48	9,152,187.92	9,193,644.27	8,604,260.76	8,659,910.82	-
Debts to Insiders/Related Parties	-	4,833,300.66	4,865,199.43	4,897,098.20	4,897,098.20	-
TOTAL PRE-PETITION LIABILITIES	9,919,694.91	19,955,769.01	20,029,124.13	13,501,358.96	13,557,009.02	-
TOTAL LIABILITIES	9,919,694.91	20,129,003.75	20,500,864.39	14,265,752.81	14,507,135.70	-
STOCKHOLDER'S EQUITY (DEFICIT)						
Common Stock	-	-	-	-	-	-
Paid-In Capital	-	-	-	-	-	-
Members' Equity	9,900,000.00	9,900,000.00	9,900,000.00	9,900,000.00	9,900,000.00	-
Retained Earnings Through Filing Date	(12,179,187.07)	(9,404,663.79)	(9,404,663.79)	(9,404,663.79)	(9,404,663.79)	-
Retained Earnings (Deficit): Post-Filing	-	(291,350.43)	(291,350.43)	(291,350.43)	(291,350.43)	-
Retained Earnings: Post-Confirmation	-	(159,529.66)	(525,069.80)	(970,884.38)	(1,225,452.55)	-
TOTAL OWNER'S EQUITY (DEFICIT)	(2,279,187.07)	44,456.12	(321,084.02)	(766,898.60)	(1,021,466.77)	-
TOTAL LIABILITIES AND EQUITY	7,640,507.84	20,173,459.87	20,179,780.37	13,498,854.21	13,485,668.93	-

MOR-3 PLEASE SEE FOOTNOTES AFTER MOR-9 FOR IMPORTANT INFORMATION CONCERNING ITEMS WITH NOTE REFERENCES.

CASE NAME: Galveston Bay Energy, LLC
CASE NUMBER: 16-31923-H11-7

SCHEDULE OF POST-CONVERSION LIABILITIES

LIABILITIES	May 12-31, 2016	June 30, 2016	July 31, 2016	August 31, 2016	September 30, 2016
TRADE ACCOUNTS PAYABLE	75,162.34	81,105.48	118,860.21	180,244.21	-
TAX PAYABLE					
Federal Payroll Taxes (inc. withholding)	6,975.49	20,467.82	33,797.85	45,586.50	-
State Payroll & Sales	39.68	104.16	153.76	256.04	-
Ad Valorem Taxes	-	-	-	-	-
Other: Federal Income Tax	-	-	-	-	-
TOTAL TAXES PAYABLE	7,015.17	20,571.98	33,951.61	45,842.54	-
OTHER POST-CONVERSION LIABILITIES					
Secured Debt: Post-Conversion	-	-	-	-	-
Accrued Interest Payable	-	-	-	-	-
Professional Fees	-	-	-	-	-
Other Accrued Liabilities:					
1) Sales Deposits	-	-	-	-	-
2) Payroll	-	-	-	-	-
3) Utilities & Other	-	-	-	-	-
TOTAL OTHER POST-CONVERSION LIAB.	-	-	-	-	-
TOTAL POST-CONVERSION LIABILITIES	82,177.51	101,677.46	152,811.82	226,086.75	-

MOR-4 PLEASE SEE FOOTNOTES AFTER MOR-9 FOR IMPORTANT INFORMATION CONCERNING ITEMS WITH NOTE REFERENCES.

CASE NAME: Galveston Bay Energy, LLC

CASE NUMBER: 16-31923-H1-7

POST-CONVERSION TRADE ACCOUNTS AND TAXES PAYABLE

See Notes	DAYS	Trade Accounts	Sales Taxes	Payroll Taxes	Ad Valorem Taxes	Other Taxes	Other Professional Fees	Totals
	0 - 30 Days	100,069.43		11,890.93	-	-		111,960.36
	31 - 60 Days	76,098.38	-	13,379.63	-	-	-	89,478.01
	61 - 90 Days	2,254.22	-	13,556.81	-	-	-	15,811.03
	91+ Days	1,822.18	-	7,015.17	-	-	-	8,837.35
	TOTAL ACCOUNTS PAYABLE	180,244.21	-	45,842.54	-	-	-	226,086.75

AGING OF ACCOUNTS RECEIVABLE

See Notes	DAYS	May 12-31, 2016	June 30, 2016	July 31, 2016	August 31, 2016	September 30, 2016
	0 - 30 Days		-	-	-	-
	31 - 60 Days		-	-	-	-
	61 - 90 Days		-	-	-	-
	91+ Days		-	-	-	-
		728,447.44	730,620.73	732,194.58	734,516.34	-
	Allowance for Doubtful Accounts	(78,032.52)	(78,032.52)	(78,032.52)	(78,032.52)	-
	TOTAL ACCOUNTS RECEIVABLE (Net)	650,414.92	652,588.21	654,162.06	656,483.82	-

MOR-5

CASE NAME: Galveston Bay Energy, LLC
CASE NUMBER: 16-31923-H1-7

STATEMENT OF INCOME (LOSS)

MONTH ENDING:	May 12-31, 2016	June 30, 2016	July 31, 2016	August 31, 2016	September 30, 2016	Activity Totals Conversion to Date
See Notes						
GROSS PROFIT:						
Revenues (MOR-1)			68,555.35	158,037.44	-	226,592.79
Total Cost of Revenues	(162,459.03)	(141,562.02)	(223,742.89)	(177,413.79)	-	(705,177.73)
TOTAL GROSS PROFIT	(162,459.03)	(141,562.02)	(155,187.54)	(19,376.35)	-	(478,584.94)
OPERATING EXPENSES:						
Payroll Costs	16,220.98	80,824.23	49,645.85	36,529.92	-	183,220.98
Consultant's Fees					-	-
Office Expenses	53.61	1,495.64	-	-	-	1,550.25
Rents	-	6,000.00	6,000.00	3,000.00	-	15,000.00
Insurance	6,638.89	6,638.89	6,638.89	33,961.09	-	53,877.76
Property Taxes	-	-	-	-	-	-
Production Costs allocated to Owners	(46,850.13)	106,507.27	65,131.79	59,957.57	-	184,746.50
General and Administrative	15,384.62	-	-	(1,364.48)	-	(1,364.48)
Payments to Insiders (MOR-9)	-	15,384.62	23,076.93	15,384.62	-	69,230.79
Other (Attach List)	-	-	-	-	-	-
TOTAL OPERATING EXPENSES	(8,552.03)	216,851.65	150,493.46	147,468.72	-	506,261.80
BANKRUPTCY ADMINISTRATION EXPENSES:						
US Trustee Fees	-	-	-	-	-	-
Professional Fees (MOR-9)	-	-	-	-	-	-
Court Costs and Fees	-	-	-	-	-	-
Fines and Penalties	-	-	-	-	-	-
TOTAL ADMINISTRATION EXPENSES	-	-	-	-	-	-
TOTAL EXPENSES	(8,552.03)	216,851.65	150,493.46	147,468.72	-	506,261.80
INC. (LOSS) BEFORE INT, DEPR., TAX (MOR-1)	(153,907.00)	(358,413.67)	(305,681.00)	(166,845.07)	-	(984,846.74)
INT, DEPR & OTHER ITEMS:						
Interest Expense	8,275.00	8,275.00	8,275.00	-	-	24,825.00
Depletion, Impairment and Accretion	-	-	26,228.32	57,694.99	-	83,923.31
Depreciation	-	-	-	5,507.76	-	5,507.76
Late Fees and Finance Charges	101.82	1,605.63	42.32	42.32	-	1,792.09
Loss on Close of Collateral CD	-	-	108,379.66	24,440.47	-	132,820.13
Other (Income) Expense	-	-	(2,754.16)	-	-	(8,262.48)
Interest Income	(2,754.16)	(2,754.16)	(37.56)	37.56	-	-
Miscellaneous	-	-	-	-	-	-
TOTAL INT, DEPR & OTHER ITEMS	5,622.66	7,126.47	140,133.58	87,723.10	-	240,605.81
NET INCOME BEFORE TAXES	(159,529.66)	(365,540.14)	(445,814.58)	(254,568.17)	-	(1,225,452.55)
FEDERAL INCOME TAXES (Estimated)	-	-	-	-	-	-
NET INCOME (LOSS) (MOR-1)	(159,529.66)	(365,540.14)	(445,814.58)	(254,568.17)	-	(1,225,452.55)

MOR-6 PLEASE SEE FOOTNOTES AFTER MOR-9 FOR IMPORTANT INFORMATION CONCERNING ITEMS WITH NOTE REFERENCES.

CASE NAME: Galveston Bay Energy, LLC
CASE NUMBER: 16-31923-H11-7

STATEMENT OF SOURCE AND USE OF CASH

SOURCE OF CASH	May 12-31, 2016	June 30, 2016	July 31, 2016	August 31, 2016	September 30, 2016	Activity Totals Conversion to Date
NET INCOME (LOSS) from MOR-6	(159,529.66)	(365,540.14)	(445,814.58)	(254,568.17)	-	(1,225,452.55)
ADD: DEPRECIATION & AMORTIZATION	-	-	-	-	-	-
ADD: DEPLETION AND ACCRETION	-	-	26,228.32	63,202.75	-	89,431.07
(INCREASE)/DECREASE FROM						
ACCOUNTS RECEIVABLE/ACCRUALS	(5,128.39)	(2,173.29)	(1,573.85)	(2,321.76)	-	(11,197.29)
PREPAID EXPENSES	490.75	490.75	490.75	27,812.95	-	29,285.20
ACCRUED INTEREST	(2,754.16)	(2,754.16)	(2,754.16)	-	-	(8,262.48)
PURCHASER CLEARING	-	-	(70,807.40)	(119,696.03)	-	(190,503.43)
INCREASE/(DECREASE) FROM						
POST-CONVERSION LIABILITIES	82,177.51	19,499.95	51,134.36	73,274.93	-	226,086.75
PRE-CONVERSION LIABILITIES	-	(40.30)	(45.76)	(5,641.24)	-	(5,727.30)
CASH GENERATED FROM OPERATIONS	(84,743.95)	(350,517.19)	(443,142.32)	(217,936.57)	-	(1,096,340.03)
SOURCES OF CASH						
INVESTING ACTIVITIES						
Recoveries of Capitalized Fees	11,000.40	1,833.19	-	-	-	12,833.59
Proceeds from Asset Sales	-	-	-	-	-	-
FINANCING ACTIVITIES						
Increases in Debts to Insiders/Rel Party	18,412.32	-	-	-	-	18,412.32
Increases in Debts to Unsecured Creditors	-	69,688.74	130,463.95	94,043.33	-	294,196.02
Increases in Funds Owed to Hydrocarb	32,754.95	279,045.87	241,564.99	118,099.14	-	671,464.95
TOTAL SOURCE OF CASH (A)	(22,576.28)	50.61	(71,113.38)	(5,794.10)	-	(99,433.15)
USES OF CASH						
INVESTING ACTIVITIES						
Net Capitalization of Fees	-	-	37,228.72	48,044.13	-	85,272.85
FINANCING ACTIVITIES						
Payments to Secured Creditors	-	-	6,610,000.00	-	-	6,610,000.00
Decreases in Debts to Insiders/Rel Party	-	-	-	-	-	-
TOTAL USE OF CASH (B)	-	-	6,647,228.72	48,044.13	-	-
NET SOURCE (USE) OF CASH (A - B)	(22,576.28)	50.61	(6,718,342.10)	(53,838.23)	-	(6,895,272.85)
CASH-BEGINNING BALANCE	6,794,725.95	6,772,149.67	6,772,200.28	53,858.18	-	6,794,725.95
CASH-ENDING BALANCE (MOR-2)	6,772,149.67	6,772,200.28	53,858.18	19.95	-	19.95

MOR-7 PLEASE SEE FOOTNOTES AFTER MOR-9 FOR IMPORTANT INFORMATION CONCERNING ITEMS WITH NOTE REFERENCES.

CASE NAME: Galveston Bay Energy, LLC
CASE NUMBER: 16-31923-H1-7

CASH ACCOUNT RECONCILIATION

MONTH ENDING AUGUST 31, 2016

ACCOUNT NUMBER	Wells Fargo Checking (GL1010)	Green Bank Checking (GL1020)	Independent Bank Checking (GL1040)	Frost Bank ***0864 (GL1045)	Frost Bank ***0872 (GL1046)	Wells Fargo DIP ***9580 (GL1047)	Green Bank CD ***0304 (GL1800)	TOTAL
BANK BALANCE	-	-	(11.19)	-	-	31.14	-	19.95
DEPOSIT IN TRANSIT	-	-	-	-	-	-	-	-
OUTSTANDING CHECKS	-	-	-	-	-	-	-	-
ADJUSTED BANK BALANCE	-	-	(11.19)	-	-	31.14	-	19.95
BEGINNING CASH (PER BOOKS)	-	53,838.23	(11.19)	-	-	31.14	-	53,858.18
RECEIPTS	-	-	-	-	-	-	-	-
VOIDED CHECKS	-	-	-	-	-	-	-	-
TRANSFERS BETWEEN ACCOUNTS	-	-	-	-	-	-	-	-
CHECKS / OTHER DISBURSEMENTS	-	(53,838.23)	-	-	-	-	-	(53,838.23)
ENDING CASH (PER BOOKS)	-	-	(11.19)	-	-	31.14	-	19.95

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

ACCOUNT NUMBER	May 12-31, 2016	June 30, 2016	July 31, 2016	August 31, 2016	September 30, 2016	Conversion to Date
BEGINNING CASH	6,794,725.95	6,772,149.67	6,772,200.28	53,858.18	-	6,794,725.95
TOTAL RECEIPTS	600.00	78.81	37.56	-	-	716.37
TOTAL DISBURSEMENTS (MOR-1)	(23,176.28)	(28.20)	(6,718,379.66)	(53,838.23)	-	(6,795,422.37)
ENDING CASH (MOR-2)	6,772,149.67	6,772,200.28	53,858.18	19.95	-	19.95

MOR-8

CASE NAME: Galveston Bay Energy, LLC
CASE NUMBER: 16-31923-H1-7

PAYMENTS TO INSIDERS AND PROFESSIONALS

Of the total disbursements shown for the qtr., list the amount paid to insiders (as defined in Section 101(30)(A)-(F) of the U. S. Bankruptcy Code) and the professionals. Also, for insiders identify the type of compensation paid (e.g., salary, commission, bonus, etc.)
(Attach additional pages as necessary.)

PAYMENTS TO INSIDERS: NAME/COMP TYPE	May 12-31, 2016	June 30, 2016	July 31, 2016	August 31, 2016	September 30, 2016	Conversion to Date
1) Craig Alexander Payroll	15,384.62	15,384.62	23,076.93	15,384.62	-	-
2)	-	-	-	-	-	69,230.79
3)	-	-	-	-	-	-
TOTAL PAYMENTS INSIDERS (MOR-1)	15,384.62	15,384.62	23,076.93	15,384.62	-	69,230.79

PAYMENTS TO PROFESSIONALS: NAME/COMP TYPE	May 12-31, 2016	June 30, 2016	July 31, 2016	August 31, 2016	September 30, 2016	Conversion to Date
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
TOTAL PAYMENTS TO PROFESSIONALS (MOR-1)	-	-	-	-	-	-

MOR-9

CASE NAME: Galveston Bay Energy, LLC

CASE NUMBER: 16-31923-H1-7

FOOTNOTES

NOTE A - DIFFERENCES BETWEEN AMOUNTS REPORTED ON SCHEDULES AND MONTHLY OPERATING REPORTS

There are a number of differences between the amounts reported on debtor's schedules (filed on the petition date) and the balances reported on monthly operating reports. These differences are due to the requirement that the debtor's schedules be presented at fair value and the monthly operating reports are presented at historical cost using the accrual method. The readers of these reports should be aware of the differences between these methods and understand the reasons these methods are used.

NOTE B - TIMING OF REPORTS

Due to the nature of the underlying businesses, certain revenues and expenses are reported with a 60-day lag. This will cause these reports to be filed accordingly.

NOTE C - PAYABLE TO HYDROCARB ENERGY CORPORATION

On 4/13/2016, Galveston Bay Energy, LLC ("Debtor") and Hydrocarb Energy Corporation, Case # 16-31922, ("HEC") filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code. On 4/15/2016, Judge David R Jones signed the order for these cases to be jointly administered, however, there has been no order for substantial consolidation. On 5/11/2016, both cases were converted to Chapter 7. The HEC has made payments of certain operating expenses of Debtor and has received funding from secured creditors in order to operate during the Chapter 7 period.

FOOTNOTES